

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1270
ANSWERED ON:07.03.2008
MODE OF CALCULATION OF INFLATION
Nahata Smt. P. Jaya Prada

Will the Minister of FINANCE be pleased to state:

- (a) the details of the inflation rate during the first nine months of the financial year 2007-08;
- (b) the rationale behind the calculation of inflation on the basis of the Wholesale Price Index (WPI) instead of the Consumer Price Index (CPI);
- (c) whether the Government proposes to shift the base for calculation of inflation to CPI from WPI; and
- (d) if not, the reasons therefor?

Answer

MINISTER OF STATE FOR FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (d): Inflation rates, measured in terms of Wholesale Price Index for all commodities (WPI-AC) and Consumer Price Indices for Industrial workers (CPI-IW), Urban-Non-Manual Employees (CPI-UNME), Agricultural Labourers (CPI-AL) and Rural Labourers (CPI-RL) in the Current financial year (2007-08) are indicated in Table 1.

Table 1: Annual inflation rates (per cent)

Month/ Year	WPI	CPI-IW	CPI-UNME	CPI-AL	CPI-RL
Base: 1993-94=100		2001=100	1984-85=100	1986-87=100	1986-87=100
Apr-07	6.3	6.7	7.7	9.4	9.1
May-07	5.5	6.6	6.8	8.2	7.9
Jun-07	4.5	5.7	6.1	7.8	7.5
Jul-07	4.7	6.5	6.9	8.6	8.0
Aug-07	4.1	7.3	6.4	8.8	8.5
Sep-07	3.5	6.4	5.7	7.9	7.6
Oct-07	3.1	5.5	5.5	7.0	6.7
Nov-07	3.3	5.5	5.1	6.2	5.9
Dec-07	3.6 (P)	5.5	5.1	5.9	5.6
Jan-08	3.9 (P)	5.5	4.8	5.6	5.9

(P) - Provisional

The four consumer price indices (CPIs) are specific to a group of consumers. The commodity basket and weights for these indices is derived based on group-specific consumer expenditure surveys. The Wholesale Price Index (WPI) is an economy wide index covering 435 commodities. Weights of these commodities are derived based on the value of quantities traded in the domestic market. It is a more comprehensive measure of economy-wide inflation available with high frequency.